



WEARABLES: TWO WORLDS COLLIDE TRENDS FOR 2015

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2015 - AN INFELCTION POINT IN WEARABLES

Apple may persuade a new generation to wear watches, but the watch industry is gearing up for a counter attack. Meanwhile, we'll see a search for dominant designs and killer applications.

Watches and armbands will fight for consumer appeal. Focused health wearables will take a leap forward with continuous heart monitoring.

The consumer electronics giants will ignite a wearable platform race. A new holistic product offer we call 'omni-platforms', combining open hardware and software, will become the holy grail as consumer electronics evolves into aspirational electronics.



At the fringes we will see atomisation, with the device split up and placed around the body and/or living environment to create a personal area network. We may see belts containing batteries, necklaces containing sensors, new generations of smart glasses, smart soles, wearable speakers. Anything that sells on Kickstarter will be built.



DISRUPTION WATCH VS. APPLE

The watch market has boomed during the last 30 years, accompanied by spiralling prices and status-conscious consumers.

But in the consumer electronics business, simplification is the goal and everyone looks to Apple for leadership. Looking at an average spend of \$500 for an Apple Watch, Apple could see revenues of \$5BN compared to \$22BN for the entire Swiss watch business.

Volumes like this would make Apple bigger than Rolex in terms of revenue. This should wake up anyone on the hillsides of the Alps.



INNOVATION THE SEARCH FOR DOMINANT DESIGNS

2015 will **not** be the year in which the wearable dominant emerges: it will be a year of accelerated search for a dominant design.

Watches, armbands, glasses, rings and necklaces will all progress rapidly during 2015.

Towards end of 2016 we will see deeper integration of Google Glass, with design driven by eyewear brands, not technologists.

We will also see more connected analogue watches particularly from classic brands. A new category of analogue/digital hybrids will emerge, and it will be a year of enormous market expansion both in concept and in volume.



ADOPTION THE COMPLEMENTARY VIEW

User tastes become harder to predict as technology enters fashion. Will they consider wearables as a complement, or as a substitute for a watch?

Adoption of Jawbone's UP3 should be the focal point of trend watchers. They are doubling down on digital jewellery, while increasing utility. We expect them to open their first retail outlets in 2015.

Sony is the other player selecting this route, which could start a renaissance for the company.

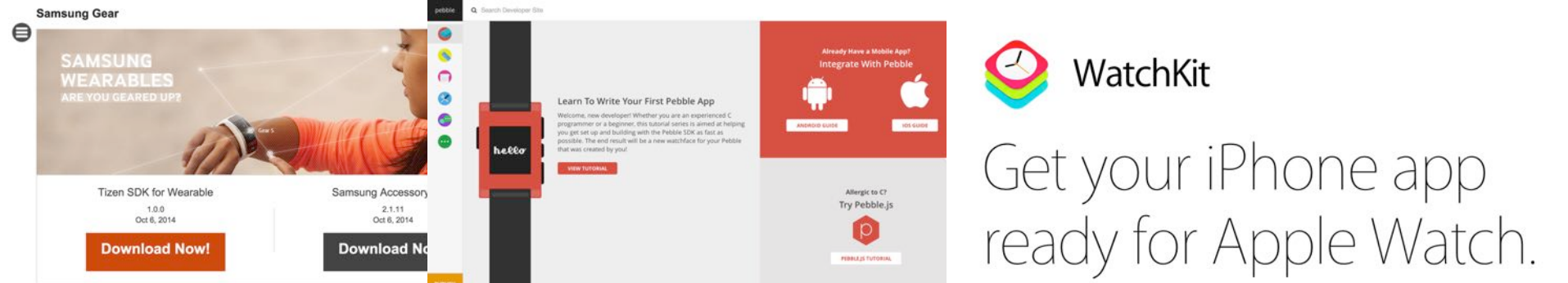


UTILITY THE KILLER APP HUNT

For smartwatches to stick to our wrists they need to do meaningful things. 2015 will bring several wearable platforms to developers, and more importantly, users.

Banks, car companies, internet brands, and first-mover start ups will embark on wearable application design. We think killer applications will emerge in communication, payments and fitness.

Designing for 'the glance' becomes the new home page design, with interaction speed the critical test metric. Deep interactions in multiple layers become the complications of the digital age. Interaction design starts to become re-defined once again. Every pixel will matter.



THE WEARABLE PLATFORM WAR STARTS

The power of the eco-system is undisputed. Now Google, Apple and Samsung will battle it out in wearable platforms, joined by start ups like Pebble, putting lots of effort behind their SDK.

Chip vendors like Intel and Qualcomm are building solution ecosystems by engaging brands and famous designers. With Basis, Intel looks to become a one-stop solution provider to brands. ARM is bringing out the Embed platform.

Traditionally platforms have been made by keeping the hardware stable for a couple generations, but that will be tough in a pre-dominant design era of hyper innovation. We think there will be platform confusion, and when that occurs, developers wait for signs of volume. Apple is likely to be a choice for many developers as they are likely to have volume and they have the experience.



SAMSUNGS LEARN TO 'SPEAK DEVELOPER' WITH INTERNATIONAL PROGRAMS

Samsung will be highly relevant in wearables, due to their size and ability to build different kinds of hardware. Coupled with the right display technology, they could become the hardware-driven platform of choice.

The fact that they are betting on Tizen makes this possible. It allows them to play a vertical game like Apple - and wearables are not part of Samsung's ecosystem non-compete contracts.

Samsung has embarked on innovation challenges to engage developers. But most developers are small start ups looking for ideas, so lots of support will be needed.

A key challenge is making applications scale across different screens. Here Samsung needs to lead. It will not be easy, and they could follow in the footsteps of Nokia... and fail.

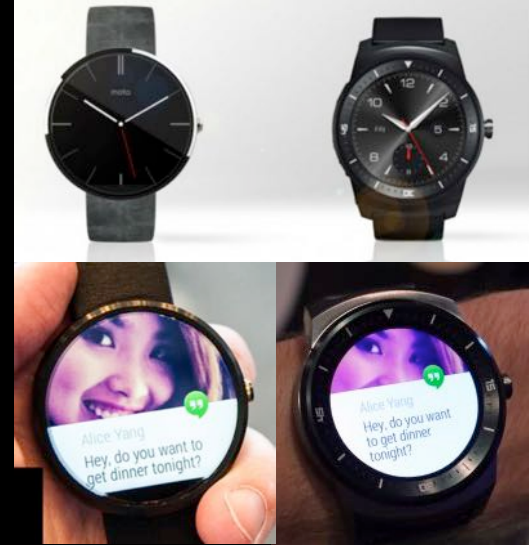
GOOGLE WEAR: DIFFERENTIATION IS GONE AFTER FIRST CLICK

Google is increasingly trying to curate the mobile world, in an attempt to avoid ecosystem chaos.

The extension to wearables brings little room for differentiation deterring lifestyle brands. Bigger brands may break out and follow Samsung.

The fact that Android Wear is so heavy will open the market for advanced microcontroller based wearables, which will enable longer battery life or smaller form factor. The Cortex M7 family of microcontrollers could transform the device landscape.

Whether to bet on brands or developers is Google's big question. We think they should choose developers, because it is more natural for them.



WHAT TO LOOK OUT FOR

Can Google open up the platform.

What will interest users more:
apps or lifestyle differentiation?



BIRTH OF OMNI PLATFORMS

Turning hardware into a platform enables new monetization models as users start to dress up their wearables.

The accessory business in phones is very significant and hence owning a hardware platform can be a new control point. Matching this with software creates a completely new and engaging offer.

We call this Omni platforms. Apple, Jawbone and Sony are pushing this trend. Fuseproject founder Yves Béhar says the Up3 was designed to be a hardware platform. Expect many players to enter during 2015.

WHAT TO LOOK OUT FOR

Functional fashion enters the high street.

Rich lifestyle segmentation emerges, with lots of price points.

Watch how Samsung and LG will react.

Retail becomes critical in wearables.

New sophisticated webshops emerge enabling mix and match styling.



UNLOCKING VALUE – BECOMING JEWELRY

Misfit wearables is becoming well distributed, it will get a follower in 2015 Its strength is its size, enabling interesting 'dressing up' opportunities, while the limited interface makes the device very focused.

Intel MICA platform is one to watch as trendsetting industry shaping play.

Fitbit is active in turning their tracker into smart jewelry, while on the other hand they are unlocking a device experience. The results could be very interesting.

WHAT TO LOOK OUT FOR

Next generation of Misfit should enter market.

Intel pushing new solutions model.

Empatica merges utility and style.

Fitbit could make an experience leap.

Will Samsung go trendy.

Chinese players enter with multiple brands.



3 GIANTS, THREE DIRECTIONS ON WRIST

There are three major candidates for dominant design; round, elongated and rectangle. 90% of all watches are round.

Google, Microsoft and Apple have selected different paths. We expect that all become dominant designs. All major Asian players will support all form factors, Samsung will add round and offer the whole range.

We think only elongated has opportunity to grow screen size and subsequently experience, which could lead to the dominant design. This will take 5-7 years of continuous improvements.

More display sizes create more work for the developer and content companies.

WHAT TO LOOK OUT FOR

The round form factor is the most stylish, but hardest to design apps for.

Curved screens make ambands much better.



Hi. I'm Cortana.

MICROSOFT BET ON BANDS

Microsoft has made a bold bet on bands. This form factor with curved display may provide the greatest experience surface, and subsequently the most engaging experience.

At present this is the most futuristic of the dominant design candidates. Initially it has an inferior user experience, but as the screen grows, its benefits emerge.

Perfecting it will likely take four generations, as did phones and iPods. The question is will Microsoft have the patience?

WHAT TO LOOK OUT FOR

Watch for SONY's bets in bands.

LG is likely to leverage their curved display technologies.

Second generation of Samsung Gear Fit will hit market in spring.

Will Microsoft open up the platform for developers.

How will Microsoft Band compete in the increasingly wearable fashion driven world.



CARRERA

OAKLEY

CHANEL

Persol

Ray-Ban
GUCCI

PRADA
MILANO
1913

Silhouette

GUCCI

JIMMY CHOO

NIKEVISION

A YEAR TO SHRINK AND RETHINK GLASS

Google's public campaign has opened everyone's eyes and illustrated opportunity. It gave us the concept of 'glassholes'. Smart eyewear has certainly triggered players in the industrial domain to start developing, concepting and thinking about use cases.

Smart eyewear has potential, but more development is needed. Luxottica, owners of Ray Ban and Oakley brands, announced their foray into smart eyewear in the Spring.

The technologists are busy making smart technology smaller. We expect to see a flood of products in fall. Getting both hands free is so valuable and mission critical for many tasks.

Will Google continue to invest in the platform and mature it to utility? If not, others will move in.

AN APPLE A DAY KEEPS THE DOCTOR AWAY

Health monitoring is a key part of Apple's proposition.
They blur the lines between active sports and casual motion.

Health Kit is the integration platform that probably becomes an
important lock-in asset in the future.

But Apple's first attempt is by no means a groundbreaking
design, proving how hard it is to distill life and activity into
some simple actionable graphs.

Smart watches become a serious treat to dedicated sport
watches. It also opens up a market for work place based
health management, a major cost for all businesses.

In 2015 we start to see first FDA-approved wearable fashion devices.



WHAT TO LOOK OUT FOR

Apple Health kit's journey into hard
health.

Polar, Suunto, Garmin add
sophisticated casual motion
management.

Can aggregation provide
the envisioned overview.

Designers still struggle to come
up with good visualizations.

WATCHFACES IS THE NEW HOME SCREEN

The glance is the new front page, the most valuable real-estate. It will become the most active area of innovation.

We will, in the next few years, see hundreds of thousands of watch faces being designed to match every taste.

When the watch face becomes digital it becomes adaptable to variable functionality.

Clocks could be good freemium platforms where the basic clock is free and users pay for alarms, notification and social integration features.



WHAT TO LOOK OUT FOR

Wearable watch shops

Watch based application concepts

Time based experiences

Branded watch faces, for example a software Rolex.

THE HEARTH BEAT SETS THE PACE FOR 24/7 WEARABLES

‘If I could only select one thing to continuously monitor it should be the heart.’ *Ilkka Korhonen, Chief Scientist of PulseOn.*

This is where wearable pioneer Jawbone is heading. This is why Intel bought Basis. This is why Firstbeat is so dominant.

The battle between wrist and chest heats up in 2015. PulseON claims wrist is as accurate as chest for pulse sensing.

But it needs to be fast as well: 15 seconds to get a reading makes no one happy.



WHAT TO LOOK OUT FOR

Basis technology in fashion driven wearables.

Wrist gaining traction as place for pulse monitoring.

AMBIENT MESSAGING BRINGS EMOTION INTO WEARABLES

Messaging is likely to be re-invented and emerge as a killer application.

Sharing emotions and instances could be the core, building and focusing the Instagram-type experience to share a sensation. Discussions will be intimate.

Text input will be re-invented, and our language will evolve. Instead of simple pictograms, we create animations.

Text input like 5-Tiles and Flexy could become important components. Voice conversations can be triggered through animations.



WHAT TO LOOK OUT FOR

Whats app and Instagram innovate in wearables.

New hot start ups to emerge with cross platform concepts.

WRIST WALLET IS THE BIG BANG

The wallet is migrating to the phone.

Apple will make payments easy to use – and banks will make them accessible to the masses.

Affordable hardware security solutions are hitting the mass market, giving financial institutions a great opportunity to engage with their users, and become a hub in the taste targeting race.

Mastercard and Visa could create unique hardware and payment experiences.

The digital wallet could be the base for an eco-system. Expect to see lots of pilots emerging in 2015.



WHAT TO LOOK OUT FOR

Banks will move aggressively into wearables and transform the credit card into a wearable. Watch Barclay.

PayPal will enter the wearable platform with a bold platform move.

Watch Nymi band making more deals and enter market.



RADICAL INNOVATION OCCUR ON THE FRINGE

Batteries in belts, speakers on the wrist, sensors in shoes... every permutation will be tried.

Kickstarter becomes a superhuman laboratory. The wearable market explodes in all direction as it searches for meaningful and attractive utility.

We may see a big boom in blinking clothing - pretty, but lacking utility. Basic needs like heating could enter shoes, hats and gloves.

WHAT TO LOOK OUT FOR

First wearable PAN platforms will emerge

Shoemakers will enter market with second wave of smart shoes. Watch what Cole Haan is up to.

Salomon could make smart integrations with Suunto and Arcteryx



NEW CONCEPT NEW MATERIALS

Leather, flexible displays and rubber are materials we expect to see more of.

Sensors and displays integrated in gloves will also be experimented with.

Kickstarter becomes a giant test marketing platform for big brands.

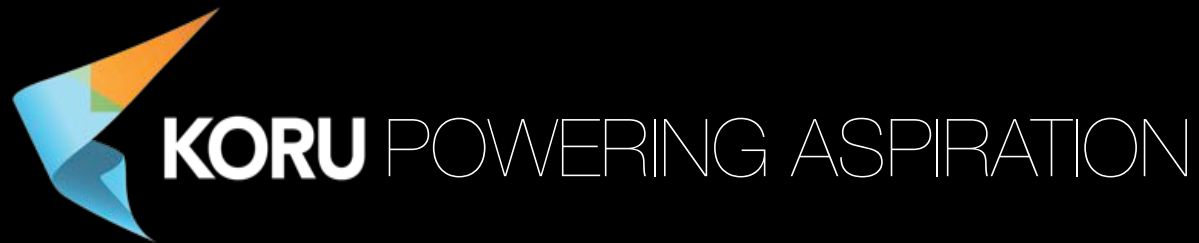
Sony could become the wearables sector's big winner in 2015, cheerfully putting themselves in the spotlight.

WHAT TO LOOK OUT FOR

Kickstarter gets taken over by the brands.

Lots of health silos emerge for every type of disorder.

Community testing become a new form of clinical trials.



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